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Tax Relief is — an “Expenditure”!

Liberal Democrats Say America is Under-Taxed

A curious conversation recently took place on the floor of the Senate, and if you don't understand “liberal-ese” you probably missed what two Democrat senators were saying. Their discussion centered on “tax expenditures” and the need to “review” and eliminate or reduce some of these in order to finance the additional spending they and President Clinton want.

To understand exactly what they were saying, you need to know two things. First, a “tax expenditure” is any provision in the tax code that allows someone to reduce their tax burden — i.e., tax relief. So what these liberal senators are talking about is not simply denying the American people tax relief in the future — as they did in opposing and as their president did in vetoing the \$792 billion in 10-year tax relief that was in the Republican tax cut bill — they are talking about *taking away* tax relief Americans *already have*.

Second, the additional spending they and their president are seeking to fund amounts to over \$1 trillion over the next ten years — in fact, \$1.032 billion in additional spending according to the Congressional Budget Office (CBO). That means canceling a whole lot of tax relief.

In Their Own Words: Outrage over “Tax Expenditures”

Below is an October 6, 1999, exchange between Senator Kennedy and Senator Daschle in opposition to the Republican proposal to require a reduction in discretionary spending if such spending increases will dip into the Social Security surplus. Paraphrased: How dare the American people keep their own money — someone should look into that!

Senator Kennedy (D-MA): *“We have about \$4 trillion in tax expenditures . . . we might be able to find places where we could tighten the belt on some of these tax expenditures . . . we haven't had a real review of these tax expenditures. . . . I don't know of a single hearing that has been held in the Senate of the United States to have a similar kind of review of tax expenditures, to find out whether there are inefficiencies and waste, or whether they are accomplishing what the public purpose and goal was when they were devised. There very well may be an opportunity to squeeze some resources out of tax expenditures...”*

Senator Daschle (D-SD): *"There is not a word about looking at the \$4 trillion of possibilities in the tax expenditure category . . . I think the Senator from Massachusetts is absolutely right. That ought to be a consideration as well. We ought to be looking at \$4 trillion in possibilities there"*

Let's Take a Look at Those Liberal-Maligned "Tax Expenditures"

In translated "liberal-ese": Americans are under-taxed and Washington is under-spending to the tune of just over \$1 trillion over the next ten years. Now that's a big hole to fill. So in order to help them, we thought we should list a few of the many "tax expenditures" that are catalogued by the Joint Committee on Taxation (JCT) and which the liberal senators so righteously condemned. Fortunately for the liberals there are a lot of "tax expenditures" throughout the tax code — so they shouldn't have much of a problem finding a way to pay for their president's new spending.

National Defense: By counting the benefits and allowances of servicemen and women, liberal Democrats could raise \$2 billion this year and \$10.2 billion over five years.

General Science: By eliminating the credit for research and experimentation, liberal Democrats could wring \$1.9 billion this year and \$12.7 billion over the next five years out of America's high-technology infrastructure.

Life Insurance: Ridding the tax code of the exclusion for investment income from life insurance and annuity contracts yields \$23.9 billion this year and \$127 billion over the next five years.

Housing: The home interest deduction costs these liberals \$48.5 billion this year and \$262.6 billion over the next five years.

Estate Taxes: Why should the dead get a free ride from the liberals' spending machine? Allowing every cent of small businesses and family farms to be taxed at an owner's death would raise \$19.2 billion this year and \$111.2 billion over the next five years.

Business Productivity: Eliminating the provision that encourages business to invest in new equipment — while costing workers in forgone future earnings — would raise these liberals \$30 billion this year and \$158.9 billion over the next five years.

Education: How about eliminating the tax credit for post-secondary education? That garners the liberals \$5.6 billion this year and \$30.6 billion over the next five years.

Children: Dropping the \$500 per child tax credit could gain the liberals \$19.1 billion this year and \$98.4 billion over the next five years for their new spending.

Charity: Eliminating the tax deduction for charitable donations gains the liberals \$20.8 billion this year and \$116.6 billion over the next five years.

Health Care: Eliminating the tax exclusion for employer-provided health insurance would produce \$57.9 billion this year and \$327.3 billion over the next five years for the liberals to spend.

Medicare: Medicare benefits aren't taxed — that makes them a "tax expenditure" too. Remember, it was President Clinton and his liberal allies that hit Social Security benefits for an additional \$24 billion in their 1993 tax increase! Going after Medicare benefits could mean an additional \$14.7 billion this year and \$80.4 billion over the next five years in new spending.

Seniors' Pensions: If Medicare isn't enough, liberals could go after "tax expenditures" resulting from excluding employers' pension contributions for their employees and pull in \$76.1 billion this year and \$388.9 billion over the next five years.

Social Security: Liberals hit Social Security beneficiaries for \$24 billion in 1993, they could get an additional \$25.4 billion this year and \$135.4 billion over the next five years from the "tax expenditure" resulting from social security and railroad retirement benefits that are excluded from taxation.

Personal State and Local Taxes: Pay taxes on taxes? It's a "tax expenditure" that allows these to be deducted from a person's gross income. Liberals could raise an additional \$31.2 billion this year and \$165 billion over the next five years by ending this exclusion.

Liberals Are Going to Treat Spending Like Tax Cuts Aren't They?

President Clinton and liberal Democrats have promised to oppose any tax cut that uses any of the non-Social Security surplus. This is a direct contradiction of their position when they offered a \$295 billion tax cut on the floor this year. Of course, this is hardly the Administration's first such fiscal flip-flop — remember the middle class tax cut Candidate Clinton promised but President Clinton never delivered and just vetoed?

Of course, if they were consistent, liberal Democrats would also refuse to use the non-Social Security surplus for new spending. After all, if they refuse to return excess income taxes to the taxpayers, it would hardly be fair to then turn around and use the same revenues for new spending. Such intellectual consistency (entirely hypothetical) would cost them \$1.032 trillion over the next ten years. Just so that 13-digit figure sinks in: that's \$1,032,000,000,000. That's the CBO-estimated effect of President Clinton's latest budget — supported by his Democrat friends in the Congress — which reduces the projected 10-year federal budget surplus from \$2.896 trillion to \$1.959 trillion and increases taxes by a net \$95 billion.

With that kind of money in question, no wonder liberal Democrats are looking at "tax expenditures" so fondly. Just remember, that's "liberal-ese" for a tax hike . . . again!

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